Libya at the Dawn of a New Era: Improving Competitiveness in the Global Economy

February 9, 2006
Libya has made significant progress in building relationships with the global community.
Recent Economic Development and its Impact on the Libyan Economy

- Strong GDP growth in recent years
- Relatively equal distribution of wealth among the Libyan population

HOWEVER

- High and increasing dependence on oil revenues as GDP growth is driven exclusively by oil prices
- New demands on the economy as the country has embarked on opening up to the outside world
- Relatively weak performance of social system, i.e. healthcare and education, despite Libya’s investment of considerable resources
Libya Entering a New Stage of its Development

**Libya’s Past**
- Significant isolation from the outside world
- Focus on equality of living conditions and social standards
- Oil revenues as the main source of national prosperity
- Government’s central focus on the distribution of oil revenues to address social needs

**Libya’s Emerging Future**
- Increasing integration with the outside world
- Greater opportunities for individual achievement and involvement in the productive sector
- Oil revenues supplemented by wealth created in other parts of the economy
- Government increasingly working with the private sector to enable the creation of wealth in competitive markets

National Economic Strategy Project Leadership

- **Co-Chairs**
  - Prof. Michael Porter
  - Dr. Daniel Yergin

- **Steering Committee**
  - Head: Dr. Abdelhafez Zlitni

National Economic Strategy Project Team

- **Executive Committee**
- **Monitor Group**
- **CERA**
- **Local Team**

Involvement of Libyan Experts

- **Interviews**
  - More than 200 Libyan government and business leaders

- **Surveys**
  - Libyan Business Executive Survey: 60 foreign and Libyan business leaders
  - Small and Medium-sized Enterprise Survey: 2,000 Libyan SMEs

- **Working Groups**
  - Libyan working groups in:
    - Education
    - Healthcare
    - Tourism
    - Construction
    - Transit Trade
    - Entrepreneurship

- **Leadership Training Program**
  - 55 Libyan senior and mid-level business executives participated in the Leadership Training Program
Contents

- Competitiveness in the Modern Global Economy
  - Libya’s Competitive Position in 2006
  - Long-term Vision: Libya in 2019
  - Action Agenda for Libya
What Is Competitiveness?

- Competitiveness is determined by the **productivity** (value per unit of input) with which a nation or a region utilizes its human, capital and natural resources. Productivity determines a nation or region’s standard of living (wages, return on capital, returns on natural resources)
  - Productivity depends both on the **value** of products and services (e.g. quality, uniqueness) as well as the **efficiency** with which they are produced
  - It is not **what** industries a nation or region competes in that matters for prosperity, but **how** firms compete in those industries
  - Productivity in a nation or region is a reflection of what both domestic and foreign firms **choose to do in that location**. The location of ownership is **secondary** for national prosperity
  - The productivity of ‘**local**’ industries is fundamental to competitiveness, not just that of traded industries
  - Devaluation and revaluation do **not** make a country more or less ‘competitive’

- Nations and regions compete in offering the **most productive environment** for business
- The public and private sectors should play **different but interrelated roles** in creating a productive economy
## Sources of Prosperity

### Inherited Prosperity

- Prosperity is derived from selling **inherited** natural resources or real estate.
- Prosperity is constrained by the amount of resources available, and is ultimately **limited**.
- Focus gravitates towards the **distribution of wealth** as interest groups seek a bigger share of the pie.

- **Government** is the central actor in the economy as the owner and distributor of most wealth.
- Resource revenues allow **unproductive policies and practices to persist**.
- Resource revenues support **distortive subsidies** which work against efficiency in the economy.

### Created Prosperity

- Prosperity is derived from **creating valuable products and services**.
- Prosperity can only be created by **firms**.
- Prosperity is **unlimited**, restricted only by the innovativeness and productivity of companies and subsidiaries operating in the economy.
- Creating the **conditions** for productivity and innovation is the central policy challenge.

- **Companies** are the central actors in the economy.
- **Government’s** role is to create the enabling conditions to foster private sector development.
Decomposing Competitiveness

Prosperity

Income per capita

Labor Productivity

Labor Utilization

Domestic Purchasing Power
- Consumption taxes
- Efficiency of local industries

- Skills
- Capital stock
- Total factor productivity

- Population age profile
- Workforce participation rate
- Working hours
- Unemployment
A sound macroeconomic, political, legal, and social context creates the potential for competitiveness, **but is not sufficient**

- Only **firms**, not government, can create wealth
Social Policies and Competitiveness are Inter-related

- There is an **inevitable link** between the needs of businesses and the needs of society
- The **competitiveness of Libyan companies** depends heavily on such things as
  - Improving education and skill levels
  - A trusted rule of law
  - Safe working conditions
  - A healthy population
  - A sense of equal opportunity
  - Protecting the natural environment

- The **health of the Libyan society** depends on such things as
  - A sustainable source of wealth
  - Competitive companies that can create wealth
  - Participation in the economy that is open to all citizens
  - Productive workers

*There is a long-term synergy between economic and social objectives, not conflict*
Successful economic development is a process of successive economic upgrading, in which the business environment evolves to support and encourage increasingly sophisticated ways of competing.

- A local context and rules that encourage investment and productivity
  - e.g. incentives for capital investments, intellectual property protection
- A context of open and vigorous local competition, especially among locally based rivals
- The presence of sophisticated and demanding local customers
  - High customer expectations for products and services
  - Local customer needs that anticipate those elsewhere
  - Unusual local demand in specialized segments that can be served globally
- Access to capable, locally based suppliers and firms in related fields
- Presence of clusters instead of isolated industries
- The efficiency, quality, and specialization of the inputs available to firms
  - Natural resources
  - Human resources
  - Capital resources
  - Physical infrastructure
  - Administrative infrastructure (e.g. registration, permits)
  - Information infrastructure (e.g. economic data, corporate disclosure)
  - Scientific and technological infrastructure
- Demand Conditions
- Related and Supporting Industries
- Context for Firm Strategy and Rivalry

- The efficiency, quality, and specialization of the inputs available to firms
- Competitive Strategy
- Rivalry
Competitiveness and Cluster Development
Cairns (Australia) Tourism Cluster

Source: HBS Student Team Research (2003) — Peter Tynan, Chai McConnell, Alexandra West, Jean Hayden
Competitiveness and Cluster Development
Houston Oil & Gas Cluster

Oil & Gas Exploration & Development

Oil & Gas Completion & Production

Specialized Institutions
(e.g. Academic Institutions, Training Centers, Industry Associations)

Equipment Suppliers
(e.g. Oil Field Chemicals, Drilling Rigs, Drill Tools)

Specialized Technology Services
(e.g. Drilling Consultants, Reservoir Services, Laboratory Analysis)

Subcontractors
(e.g. Surveying, Mud Logging, Maintenance Services)

Business Services
(e.g. MIS Services, Technology Licenses, Risk Management)

Gas Processing
Gas Trading
Gas Transmission
Gas Marketing
Gas Gathering
Gas Distribution
Gas Refining
Gas Trading
Gas Transmission
Gas Distribution
Gas Marketing
Oil Transportation
Oil Trading
Oil Refining
Oil Wholesale Marketing
Oil Retail Marketing
Oil Refining
Oil Distribution
Oil Trading
Oil Wholesale Marketing
Oil Retail Marketing
Oilfield Services / Engineering & Contracting Firms
Competitiveness is important at all geographic levels and must be addressed at the national, state, city and rural levels.

Economic coordination among neighboring countries can improve competitiveness.
Shifting Responsibilities for Economic Development

**Traditional Approach**
- **Government** drives economic development through policy decisions and incentives

**Modern Approach**
- Economic development is a collaborative process involving government at multiple levels, companies, universities, and institutions for collaboration

- Competitiveness must become a **bottom-up process** in which many individuals, companies and institutions take responsibility
- **Every** community and cluster can take steps to enhance competitiveness
A successful economic transition will require integration of the principles of economic competitiveness and Libya’s values.

The Competitiveness framework and *The Green Book* share essential principles:
- Libya’s popular democracy system supports the bottom-up approach critical to building competitiveness.
- The commitment to ensure all Libyans control their own economic needs—e.g. housing, health-care—is consistent with policy to provide a social safety net in building a more competitive economy.
- Building competitiveness is based on productive enterprises and is neutral with regard to state or private ownership.

The Competitiveness framework enables a country to define its own unique economic model.
Contents

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Assessing a Country’s Economic Competitiveness

1. Economic Performance

2. Economic Composition

Factors Driving Competitiveness
- Overall Context
- Microeconomic Capacity

Each country or region needs to assess its competitiveness along all three dimensions in order to develop a competitiveness agenda that meets its unique needs.

The competitiveness assessment needs to build on facts and neutral data sources to move beyond high level ideological discussions.
Comparative Economic Performance
Prosperity Level and Growth

GDP per capita PPP Adjusted – Level and Growth, Libya & Selected Countries

Note: Though Libya’s nominal GDP in USD has shrunk between 2000–2005 due to a significant devaluation of Libyan Dinar, its PPP adjusted GDP has grown during this period. Negative growth of Non-oil GDP due to devaluation of Libyan Dinar at the beginning of 2002
Source: IMF, World Bank, Monitor Analysis
Comparative Economic Performance
Sources of Prosperity

GDP (Nominal Prices) Breakdown by Energy vs. Non-Energy Activities, MENA Countries, 2003

Libya
Kuwait
Saudi Arabia
Algeria
United Arab Emirates

Selected MENA Countries

% of GDP

Energy

Non-Energy

Note: 1. Kuwait data is for 2002, 2. UAE data is consolidated for all the 7 Emirates, and the GDP distribution is skewed by Abu Dhabi, the largest of the 7 Emirates
Source: IMF, Saudi Arabia Central Department of Statistics
Economic Composition
Libyan Output and Employment by Sector

GDP by Sector, Current LYD MM, 2003

- Energy: 18,776
- Trade, Hotels & Restaurants: 2,205
- Transportation and Communication: 1,530
- Agriculture: 1,376
- Construction: 1,327
- General / Public Services: 1,305
- Education Services: 1,038
- Financial Services & Real Estate: 974
- Manufacturing: 765
- Health Services: 568
- Other Services: 451
- Mining & Quarrying: 383
- Electricity, Gas & Water: 303

Employees by Sector (‘000), 2003

- Energy: 43
- Trade, Hotels & Restaurants: 171
- Transportation and Communication: 59
- Agriculture: 110
- Construction: 48
- General / Public Services: 233
- Education Services: 389
- Financial Services & Real Estate: 41
- Manufacturing: 183
- Health Services: 168
- Other Services: 21
- Mining & Quarrying: 31
- Electricity, Gas & Water: 54

“The size of the informal economy is estimated to be as much as 30%–40% of official GDP”

Note: 1 2003 employment data are interpolations. 2 Energy GDP change is computed net of exchange rate fluctuations and of the 2002 devaluation of the Libyan Dinar.
Source: IMF; Central Bank of Libya; Monitor analysis.
Economic Composition
Level and Change in Output Per Worker by Sector

GDP per Worker, Libya, 1999 and 2003

<table>
<thead>
<tr>
<th>Sector</th>
<th>1999 ('000 $)</th>
<th>2003 ('000 $)</th>
<th>Annual Change in % '99–'03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas</td>
<td>345</td>
<td>351</td>
<td>(0.3%)</td>
</tr>
<tr>
<td>Construction</td>
<td>8</td>
<td>22</td>
<td>26.6%</td>
</tr>
<tr>
<td>Trade, Restaurants &amp; Hotels</td>
<td>10</td>
<td>55</td>
<td>(34.7%)</td>
</tr>
<tr>
<td>Transportation, Storage &amp; Communication</td>
<td>20</td>
<td>20</td>
<td>0.4%</td>
</tr>
<tr>
<td>Education Services</td>
<td>2</td>
<td>10</td>
<td>(31.5%)</td>
</tr>
<tr>
<td>Finance and Real Estate</td>
<td>19</td>
<td>56</td>
<td>(23.9%)</td>
</tr>
<tr>
<td>General Services / Public Services</td>
<td>21</td>
<td>21</td>
<td>(32.7%)</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>4</td>
<td>41</td>
<td>(30.0%)</td>
</tr>
<tr>
<td>Health Services</td>
<td>3</td>
<td>12</td>
<td>(31.4%)</td>
</tr>
<tr>
<td>Other Services</td>
<td>11</td>
<td>17</td>
<td>10.1%</td>
</tr>
<tr>
<td>Electricity, Gas &amp; Water</td>
<td>4</td>
<td>15</td>
<td>(26.3%)</td>
</tr>
<tr>
<td>Agriculture, Forestry &amp; Fishing</td>
<td>14</td>
<td>14</td>
<td>(7.9%)</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3</td>
<td>12</td>
<td>(27.0%)</td>
</tr>
</tbody>
</table>

1 Energy GDP in 1999 is adjusted to eliminate exchange rate devaluation and oil prices between 1999 and 2003
2 GDP at current prices; Libyan Dinar was devaluated by 65% between 1999 and 2003
Source: IMF, Central Bank of Libya
Comparative Economic Performance
Foreign Direct Investment (FDI) Stocks in Selected MENA Countries

Source: UNCTAD, World Investment Report 2005
An Assessment of Libya's Competitiveness
Economic Performance
Libya’s Exports by Cluster, 1997–2003

Libya’s Exports by Cluster, 1997–2003

Energy Products
2003 Exports: USD 13.8Bn

Change in Libya’s World Export Share, 1997–2003 (%)

Average Change in Libya’s Total World Export Share: +0.014%

Libya’s Overall World Export Share, 2003: 0.185%

Exports of $100 million =

Source: Prof. Michael E. Porter, International Cluster Competitiveness Project; UN Comtrade, IMF
An Assessment of Libya’s Competitiveness

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Libya’s Economic Performance Reveals Important Underlying Weaknesses

Prosperity
- While Libya is the wealthiest country in North Africa, with a high availability of natural resources and a relatively equitable distribution of wealth among its people, the living standards of Libyans fall short of its GDP per capita.

Labor Productivity
- There is low labor productivity, including in public services.

Market Position
- Libya’s export position is highly dependent on the energy sector and overall exports are stagnating.
- Foreign direct investment is limited and only a fraction of approved projects are realized.

Composition of the Economy
- Value creation in the economy is dominated by the oil and gas sector, which generates a level of prosperity, which cannot be sustained by Libya’s overall business competitiveness.
Assessment of Libya’s Competitive Position
Macroeconomic, Political, Legal and Social Context

Microeconomic Capacity

The Sophistication of Company Operations and Strategy

The Quality of the Microeconomic Business Environment
Quality of Macroeconomic, Political, Legal and Social Context
Key Governance Factors

Libya’s Position Relative to MENA Countries¹, 2004

-60% -50% -40% -30% -20% -10% 0% 10% 20% 30%

political stability voice and accountability rule of law government effectiveness regulatory quality control of corruption

MENA average

Better...
Worse...

6%

Note: ¹Includes Algeria, Egypt, Kuwait, Morocco, Saudi Arabia, Tunisia, United Arab Emirates
Source: "Governance Matters IV: Governance Indicators for 1996–2004" by Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi, 2005
Despite its good performance on basic development indicators compared to other countries in the region, Libya has significant challenges in the efficiency of its social sectors, especially healthcare.
Quality of Macroeconomic, Political, Legal and Social Context
Assessment of Libya’s Direct Democracy

- Libya has the **only functioning example of direct democracy** on a national level
  - Basic People’s Congresses (BPCs) provide a meaningful forum for Libyan citizens to participate directly in law-making

- The system requires up-grading to **remove inefficiencies and strengthen participation**
  - **Lack of information.** Agenda and draft laws are not disseminated prior to BPC meetings
  - **Low attendance.** Of the 5,000-10,000 members of each of the 468 BPCs, typically less than 20% of members attend meetings and only a fraction speak
  - **Lack of training.** Those running BPCs have no required skill set and no facilitation training
  - **Need for consistent rules and procedures.** BPCs handle local, regional and national issues but have no guidebook to maximise participation and the airing of diverse viewpoints
  - **Need for greater transparency and accountability.** Currently there are no mechanisms to track individual BPC decisions once they move to Shabia and national level

**System upgrading will create efficient, transparent and stable political structures to support realization of the National Economic Strategy**
Assessment of Libya’s Competitive Position
Microeconomic Conditions of Competitiveness

Microeconomic Capacity

The Sophistication of Company Operations and Strategy

The Quality of the Microeconomic Business Environment

Macroeconomic, Political, Legal, and Social Context
Prosperity and Business Competitiveness
Comparative Analysis across Countries

GDP per Capita (PPP Adjusted) and Business Competitiveness Index, Libya and Selected Countries, 2004

The Business Competitive Index explains 80% of the variation across countries in GDP per capita for purchasing power adjusted

Note: All calculations relative to average of all 111 countries (including Libya) in the sample
Source: Institute for Strategy and Competitiveness, November 2005; Libya Business Executive Survey 2005
Assessment of Libya’s Competitiveness
Sophistication of Company Operations

- Government dominance in production and distribution
  - Lack of a meaningful private sector
- Isolation from the international community

Both public and private sector companies are relatively less sophisticated than regional and global peers
- Lack of sophistication in production processes
- Insufficient employee training
- Low company spending on R&D
- Lack of access to international markets
- Limited customer orientation and marketing

A few sophisticated companies do exist—both in the energy sector (e.g. NOC) and among the new private companies (e.g. Al Buraq and Corinthia Hotel)—that are investing in improving quality and efficiency
Assessment of Libya’s Competitiveness
Perceived Strengths of the Libyan Business Environment

- Libya is richly endowed with natural resources such as oil and gas
- Libya is in a strong financial position due to foreign currency earnings driven by high oil prices
- Libya is in a geographically attractive location linking Europe and Northern Africa
- Libya has traditionally had a well-educated population

Libya has some advantages on which to build competitiveness. However, a preliminary assessment shows that Libya is not making the most of them.
Competitiveness of the Libyan Oil and Gas Cluster

- There is potential to increase oil production to 3mbd, and increase gas production to meet domestic needs and double exports
  - Benefit of some $9 Bn per year
  - Requires increased funding of NOC to almost $3.5 Bn a year, focused on existing fields and discoveries
  - Also requires institutional and behavioral changes
- Refinery upgrades are needed to match product output with domestic demand
- There are opportunities for growth in petrochemicals by switching to Natural Gas Liquids feedstock
- Electricity generation capacity must increase and improve its effectiveness
  - Reduce losses in generation, transmission and especially in commercial
  - Substitute diesel fuel with gas
- Delivery mechanism for fuel price subsidies should be re-examined
Quality of the Libyan Business Environment
Availability and Accessibility of Capital in Libya

**Accumulation of Foreign Assets in Libya, 1999-2006E**

- Compound Annual Growth Rate (CAGR) = 49.4%
- 1999: 6.7
- 2000: 13.1
- 2001: 14.1
- 2002: 15.0
- 2003: 18.9
- 2004: 33.4
- 2006E: 50.0

**Main Difficulties Faced While Raising Capital from Government Banks**

- Large collateral demanded 23%
- Have to go through several people 10%
- Time consuming process 13%
- Banks offer loans only to people they know 23%
- Bank employees take bribes 17%
- Religion 6%
- Formal feasibility studies demanded 8%

2/3rd of Libyan SMEs face difficulties in accessing loan financing from banks

Source: IMF, Central Bank of Libya, General People's Committee for Finance, SME Survey, Monitor Analysis
Quality of the Libyan Business Environment
State of the Libyan Banking Sector

- The banking sector is the **backbone** of Libya’s financial system
  - Equity markets do not exist
  - Debt market is small and immature
- The Libyan banking sector is **highly concentrated**
  - Over 85% of total banking assets are accounted for by six commercial banks
  - Of the six commercial banks, five are owned by the Central Bank
- **Intermediation** and **payments facilitation** are still primitive: the vast majority of payment transactions are still carried out in cash
- Libyan banks follow a **tight lending policy** despite substantial available liquidity
  - Substantial parts of funds are held in liquid assets—it is estimated that 40% of commercial banks’ assets are held in cash or short term deposits
  - Substantial collaterals required due to lack of adequate risk management mechanisms—in some cases as much as 125% of the total loan amount
  - Bank managers are not incentivized to lend money, and run high personal risks in case of loan defaults
  - Energy sector has the easiest access to formal banking capital
- The government has **taken some steps to reform** the banking system. The adoption of the new Banking Law has been the most visible
### Quality of the Libyan Business Environment

#### Comparison of Physical Infrastructure in MENA Countries

<table>
<thead>
<tr>
<th>Physical Infrastructure</th>
<th>Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Telephone/Fax</strong></td>
<td></td>
<td></td>
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<tr>
<td>Singapore</td>
<td>6.8</td>
<td></td>
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<tr>
<td>U.A.E.</td>
<td>6.3</td>
<td></td>
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<tr>
<td>Tunisia</td>
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<td></td>
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<tr>
<td>Morocco</td>
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<td></td>
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<tr>
<td>Egypt</td>
<td>5.9</td>
<td></td>
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<tr>
<td>Algeria</td>
<td>3.9</td>
<td></td>
</tr>
<tr>
<td><strong>Libya</strong></td>
<td>2.8</td>
<td>110th</td>
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<td><strong>Libya Rank: 110th</strong></td>
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<tr>
<td><strong>Electricity Supply</strong></td>
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<td>Singapore</td>
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<td>U.A.E.</td>
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<td>Tunisia</td>
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<td>Morocco</td>
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<tr>
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<td><strong>Air Transport</strong></td>
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<td>Singapore</td>
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<td>U.A.E.</td>
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<tr>
<td><strong>Port Infrastructure</strong></td>
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<td>Egypt</td>
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<td><strong>Libya</strong></td>
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<td>88th</td>
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<tr>
<td><strong>Libya Rank: 88th</strong></td>
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</tbody>
</table>

The advantages of Libya’s geographic location are eroded by the poor quality of physical infrastructure, which reduces connectivity, both within Libya and with the outside world.

Note: Scores are on a scale of 1–7
Source: Global Competitiveness Report 2005–2006; Libya Business Executive Survey September–October 2005
Quality of the Libyan Business Environment
Comparison of Libya’s Telephone and Internet Penetration with Neighboring Countries

Information and Communication Technology (ICT) Penetration, Libya & Peer Countries, 2004¹

Network performance in both fixed and mobile telephony remains a major challenge for Libya, with consumers complaining of poor coverage and dropped calls at peak times.

Note: ¹ Libya mobile penetration is based on a GPTC estimate for Q4 2005
Source: International Telecommunications Union, GPTC
Quality of the Libyan Business Environment
Availability of Human Resources

- Basic education in Libya is well developed
  - Literacy levels are among the highest in the MENA region

  HOWEVER

- Current education does not provide a ‘job-ready’ work force. The education system is disconnected from the demands of the job market

  “450 college students graduated yesterday and joined us. At the moment, it takes us 18 months to turn a graduate (in geology, petrochemical engineering, finance etc.) into a productive member of staff. That’s too much. NOC is, effectively, backward integrated into education – we need to be more connected to our educational needs as a country”
  - Chairman, NOC

- Continuing education is almost non-existent
  - E.g. during isolation, Libyan doctors could not update themselves on developments in international healthcare on an ongoing basis

- Previous education policy decisions have negatively affected education in important areas for business such as IT and foreign languages
Quality of the Libyan Business Environment

Other Areas of Weakness

- **Inefficient government bureaucracy** creates obstacles for entrepreneurs to start and run businesses

- **Poor regulatory quality** – Frequent change of policies makes it difficult for business and individuals to adapt

- **Corruption** – Low income levels and lack of standards and accountability lead to an increased incidence of corruption

- There are significant **barriers facing foreign companies** in investing in Libya
Quality of the Libyan Business Environment
Time Required to Start a New Business

In October 2005, Decree 169 was passed by the GPC, which stipulates that it should not take more than 10 days from the day a company files for registration, until a final decision is taken.

Note: 1 Libyan data based on a survey conducted with Small and Medium Enterprises in July 2005. Libya data is for 2005 while that for other countries is 2004.
Quality of the Libyan Business Environment

Regulatory Quality

Note: Blue dots represent estimates for the 2004 governance indicators. The thin vertical lines represent standard errors around these estimates for each country in world-wide sample.

Note: The country sample includes the countries with the highest and lowest score, and the sample of countries included in the comparative GCR analysis.

Quality of the Libyan Business Environment

Foreign Direct Investment (FDI) in Libya, Except Oil & Gas

While there appears to be interest among foreign investors in opportunities in Libya, very little investment is actually being realized

1 Tourism figures are for 2005
2 Experience in projects like Corinthia Tripoli, suggest that a significant part of the FDI commitment is unlikely to be realized

Source: Libyan Foreign Investment Board, Ministry of Tourism, Libyan Investment Promotion Board, Monitor Analysis
Quality of the Libyan Business Environment

FDI Approval Process

Phase 1
(avg. 1.5 months)

- Submission of Application to Foreign Investment Board
- Discussion of Project in Monthly Board Meeting
- Recommendation by the Board
- Decision by Ministry of Economics and Trade
- Preparation of Detailed Project Documents
- Submission of Detailed Project Documents
- Up-front Financing of 10% of Project Value
- Approval
- License Issued
- End Project

Phase 2
(up to 12 months)

- Decree 117 / 2005 of the GPC
- Recent decision has increased FDI threshold to USD 50 MM
- Main Requirements
  - Memo specifying details of project
  - Investor's certificate of nationality
  - Memorandum of Association or incorporation document
  - Document of empowerment of assigned project manager
- Approval
- License Issued
- End Project

Potential Foreign Investor
Libyan Authorities

Source: Libyan Foreign Investment Board, Monitor Analysis

An Assessment of Libya's Competitiveness

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Attracting Foreign Direct Investment (FDI) Examples From Other Countries

“The [Singaporean] government was not only very aggressive but very professional in its recruitment of foreign capital….Access to them was always very easy”

– Manager, Mobil Oil company Singapore, 1980s

“Over a period of nearly 20 years operating in Ireland…the real sense of support and partnership we have experienced here has been a constant”

– Terry Landers, Head of Corporate Affairs, Microsoft Ireland

 “[In Ireland] we know we’re not the centre of the world, and so we're highly flexible and adaptable in our approach”

– Dick Meaney, Vice-President, Analog Devices, Limerick

Quality of the Libyan Business Environment
Overall Assessment of the Quality of the Libyan Business Environment

Factor (Input) Conditions

- Large pool of investment capital
- Substantial oil and gas resources
- Weak financial sector
- Significant barriers to entrepreneurship
- Weak job readiness skills of human resources
- Inadequate physical infrastructure
- Lack of business information

Demand Conditions

- Low sophistication of local customers
- Local demand following rather than leads international trends
- Public procurement is dominated by price not quality

Context for Firm Strategy and Rivalry

- Low labour cost
- Modest formal tariffs
- Major barriers to foreign competition
- Limited presence of foreign multinationals (outside the resource extraction industries)
- Dominance of state-owned-enterprises limiting internal competition
- Corruption and favouritism by government

Related and Supporting Industries

- Energy cluster is quite developed
- NOC dominance within energy cluster
- Cluster development outside the energy cluster is non-existent
- Supporting industries (e.g. banking and business information) are very limited

Source: NES Analysis
An Assessment of Libya's Competitiveness

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Contents

- Competitiveness in the Modern Global Economy
- Libya’s Competitive Position in 2006
- Long-term Vision: Libya in 2019
- Action Agenda for Libya
National Economic Strategy

What is a unique competitive position for the country?
- What is the country’s unique value proposition as a business location?
- What roles can the country play in the world and the regional economy?
- For what range or types of businesses can the country be competitive?

Developing Unique Strengths

- What elements of the business environment are essential to the national value proposition?
- What existing and emerging clusters must be mobilized?

Achieving and Maintaining Parity with Peer Countries

- What macroeconomic, political, legal and social improvements are necessary to maintain parity with peer countries?
- What areas of the general business environment must improve to maintain parity with peer countries?

Addressing these questions will enable Libya to define a clear competitive profile within the global economy.
Ireland: A Clear Vision helped it become a Celtic Tiger

- From independence in 1922 until the 1960s, Ireland followed an import-substitution economic policy, with disastrous consequences. Economic growth stagnated and local industry failed to develop resulting in mass emigration and population decline.

- In the early 1960s, Ireland recognized the need to change its economic policy to better integrate with the global community. In particular, the Irish government pursued an aggressive approach to attract foreign direct investment (FDI).

- This approach has been successful in making Ireland one of the most impressive economic growth stories of the last few decades.

- Ireland has been successful in positioning itself as an efficient location for multinational companies to serve the European market by:
  - Establishing a specialized investment promotion agency to identify and attract multinational companies in key sectors, and facilitate all their business requirements.
  - Developing communication and transport infrastructure to provide an efficient platform to reach other, larger European markets.
  - Investing in education to provide a well-educated workforce at competitive wage levels.

Key Learnings

- Clear positioning of an integrated set of unique advantages a location either has or can reasonably develop, is essential.

- Single-minded focus on those policy areas key given the positioning.
Libya’s Vision for 2019

Libya’s vision for 2019—the 50th anniversary of the Revolution—highlights the potential economic, social and political opportunities for Libya. Key aspirations include:

– Building a competitive national economy that has significantly raised the standard of living and provides opportunities for all Libyans

– Developing Libya’s oil and gas cluster to be among the world leaders

– Diversifying the economy beyond the oil and gas cluster

– Utilizing Libya’s strengths to the full extent—e.g. geographic location, historical assets, culture

– Actively engaging the participation of Libyan citizens—through direct democracy—in shaping the nation’s economic development
Libya’s Vision for 2019: Core Aspirations

Libya’s vision for 2019—the 50th anniversary of the Revolution—highlights the potential economic, social and political opportunities. There are ten core aspirations.

1. **Egalitarian** – Libya is a leader in social welfare; citizens control their economic needs
2. **Democratic** – Libyans make decisions efficiently and benefit from a responsive government
3. **Productive** – Libyans are productively employed, real employment rate of >90%
4. **International** – Libyan economy is fully integrated with the international economy
5. **Competitive** – Libya has a thriving diversified economy; Libyan firms are globally competitive
6. **Entrepreneurial** – Libya is a centre of dynamic entrepreneurial activity; has one of the fastest rates of business formation in the world
7. **Skilled** – Libya is a leading centre of education and training
8. **Connected** – Libya has state-of-the-art Information and Communication Technology infrastructure
9. **Green** – Libya is an environmentally friendly country, protecting its history, heritage and culture
10. **Regional Leader** – Libya has a leadership role in the region, and contributes to the wealth and stability of its neighbours
Contents

- Competitiveness in the Modern Global Economy
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- Action Agenda for Libya
Principles of Economic Reform
General Principles

- Identify and build on **existing and potential strengths**, rather than focus solely on addressing weaknesses.

- Achieve clear progress on **human development** in parallel to economic reforms.

- Employ **accelerators of development** to rapidly upgrade the economy to compensate for decades of economic isolation, e.g. Diaspora, FDI, Outsourced management of concessions, infrastructure, specialized agencies.

Source: Michael E. Porter
An Assessment of Libya's Competitiveness
Principles of Economic Reform
Key Dimensions of an Action Agenda

Business Environment
- Improves conditions for conducting business and individual businesses and clusters
- Upgrades rules and institutions for cluster development

Cluster Development
- Highlights business environment weaknesses
- Enables companies to become more productive, raising the overall sophistication of the economy
- Facilitates productive dialogue between private and public sectors

Capacity Building
- Provides context and institutional capabilities for sustaining the competitiveness orientation over time
## Principles of Economic Reform
### Benefits of Economic Diversification

### Economic Reasons
- Develop economic capabilities that can sustain prosperity once natural resources have been depleted
- Provide opportunities for the vast majority of the population not engaged in the oil sector to be a productive part of the economy and society
- Increase the standard of living through the availability of efficient local goods and services in a competitive domestic market
- Limit the exposure to volatile global prices for natural resources

### Social and Political Reasons
- Reduce the focus on wealth distribution with its corrupting effect on all public institutions engaged in this process
- Separate the link between individuals’ political power and economic prosperity which tends to undermine the rule of law and create increasing inequality

---

**Economic diversification needs time; it is critical to start the process well in advance of the eventual depletion of natural resources**
Principles of Economic Reform
Estonian Cluster Portfolio — Goods Exports

World Export Market Share by Cluster, Estonia, 2002

Change in National Export Market Share, 1997–2002

Prefabricated Enclosures
Furniture
Communications Equipment
Fishing Products
Building Fixtures
Processed Food
Agricultural Products
Apparel
Textiles
Forest Products

Compound Annual Growth Rate of Estonian World Export Market Share, 1997–2002

Note: Bubble size is proportional to absolute export value
Source: UNCTAD Trade Data; International Cluster Competitiveness Project at ISC (HBS)
Principles of Economic Reform
Appropriate Roles of Government in Cluster Development

- A successful cluster policy builds on sound overall economic policies
- Government should support the development of all clusters, not pick winners among them
- Government policy should reinforce established and emerging clusters rather than attempt to create entirely new ones
- Government can seed new clusters through attracting foreign direct investment
- Government’s role in cluster initiatives is as facilitator and participant. The most successful cluster initiatives are public-private partnerships
- Government should NOT provide subsidies, set preferential tariffs, exclude from competition laws, give preferential tax exemptions, etc.
Principles of Economic Reform
Role of Foreign Direct Investment (FDI)

- Foreign investors bring critical new **skills, management techniques, and access to foreign markets**
- Foreign-owned operations provide a **training ground** for Libyans who later on set out on their own ventures with the experience of working in a multinational
- Foreign-owned operations provide a **market opportunity** for Libyan suppliers and service providers, exposing them to sophisticated demand at the global level

- Libya should take **active steps** to mobilize FDI
- Libyan FDI policy should combine **high openness** for foreign investors with steps to ensure a maximum level of **integration** of their activities into the Libyan economy
- FDI attraction needs to be based on the **inherent opportunities** present in the Libyan market, business environment, and natural resource-deposits, **not** in selling preferential access
- Multinational companies pay **higher wages** than local competitors

- Multinational companies tend to also provide **better training** to their employees than local companies

- Multinational company presence appears to increase **knowledge flows** and spill-overs from subsidiaries to local companies

![Graph showing the ratio of U.S. MNC wages to local wages by country income level.](image)

**Source:** Graham (2000), IMF (2001); World Bank (2001); Aitken, Harrison, Libsey (1996); Feenstra, Hanson (1997); Hallward-Driemeier (2001); Robert, Tybout (1996)
Principles of Economic Reform
FDI as a Driver of Economic Prosperity in Estonia

Foreign Direct Investment Stock and GDP per Capita (PPP Adjusted), Estonia, 1991-2004

FDI Stock as % of GDP
GDP per capita (PPP), USD

Source: WTO (2005)
Principles of Economic Reform
Developing Technology Related Clusters

IT Cluster Development, Cost Rica

- Electronic Assembly
- Specialized Packaging (e.g. plastics, corrugated materials)
- Specialized Chemicals
- Other Electronic Components (e.g. circuitboards)
- Passive Electronic Components (e.g. inductors, transistors)
- Semiconductor Production
- Specialized Academic and Training Institutions (e.g. Instituto Tecnológico de Costa Rica, Instituto Nacional de Aprendizaje)
- State Government Agencies (e.g. export and investments promotion agencies: Cinde and Procomer)
- Computer Software (e.g. ArtinSoft)
- Venture Capital Firms

Source: Research by Niels Ketelhohn for Professor Michael E. Porter
Costa Rica’s position as the most successful country in Central America has benefited from key decisions that put the country on a long-term path to competitiveness.

Costa Rica’s 1948 Constitution provided for political stability, abolished the army to enable the concentration of resources on social development, and allocated at least 6% of GDP for education spending.

President Figueres, elected in 1994, made competitiveness a key national objective alongside environmental sustainability and social development, shared by all political parties despite their different views on specific policies.
Principles of Economic Reform

Process Principles

- Create **new programs / initiatives** initially, rather than attempting to reform old / existing one; additive versus competitive structures
- Provide **migration paths** for affected interest groups with incentives / penalties to encourage them to embrace a new model
- Focus early on policy agendas that are **preconditions for other improvements**
- **Sequence** plans to provide infrastructure and public services that enfranchise each region, with conservative timetables that can be exceeded
- Establish **special purpose entities** instead of across-the-board reorganization
- Use **‘outside’ parties** to motivate reforms (e.g., WTO, EU accession)
- Set **realistic requirements** for local employment by foreign / new investors, with incentives for increasing it and a focus on training of local citizens
- Establish **special zones and designated areas** in which to implement business environment improvements instead of attempting to provide infrastructure or services everywhere
  - Preferably one zone in each region
  - Set conditions which local leaders must meet in order to participate in those programs that include incentives in the form of faster rollout
Business Environment
Private Sector Activation

- The large extent of the informal economy indicates substantial barriers to entry in the formal economy, especially for small and medium sized enterprises (SMEs).

- **Reduce uncertainty** in the business environment by ensuring greater stability in both policies and business-relevant administrative infrastructure.

- Undertake a broad-reaching program to drive out inefficiencies and bureaucracy from business-relevant processes in the public sector.

- Launch a Sharia-compliant micro-lending scheme and venture capital fund.

- Promote SMEs through a system of local entrepreneurship centers modeled on successful international models, to ensure training, expertise and capital for entrepreneurship.

- Create a Libyan social entrepreneurship fund to support direct services in healthcare, education, and care for the elderly.

=Catalyze innovation, risk-taking and business formation in Libya, and create the next generation of Libyan entrepreneurs= 
**Business Environment**

**Foreign Direct Investment (FDI) and Internationalization / Banking and Financial System**

### Foreign Direct Investment and Internationalization

- FDI is a key instrument to **connect** Libya to the global economy and to provide **expertise** and **technology**

- Develop a **new framework** for FDI policy that is liberal, stable and **consistent over the medium-term**, removing the uncertainty that affects the current policy framework

- **Streamline the process** of FDI approval—especially outside the energy sector—making it a fast, simple, transparent and non-preferential process

- **Remove the minimum threshold** required for FDI which currently stands at USD 50MM that excludes many foreign investors who wish to invest in smaller amounts

- **Ease the availability of visas and work permits** for foreigners, which would enable a greater inflow of foreign expertise into Libya

- Actively **engage with the Libyan diaspora** in the development process which will allow a consistent inward flow of capital, skills and expertise into Libya

### Banking and Financial System

- Private sector, in particular small and medium sized enterprises, depends on **efficient access to financing**

- Give greater **autonomy and incentives to state-owned banks** to enable them to lend more (and more transparently) to the private sector

- Enable the creation of **private banks and joint ventures with foreign banks** to create competition and improve service delivery

- Launch a **banking law reform** program that addresses the systemic weaknesses of present banking laws, e.g. separating the ownership and supervisory functions of the Central Bank

- Build a **banking infrastructure** that meets international standards:
  - Efficient **payments and clearing systems**
  - Establish **risk assessment** and project appraisal capabilities
  - Wide and **accessible network** of branches and ATMs
Efficient Movement of Goods, People and Information

- Economic development requires connectivity within Libya and with the outside world

- Identify and speed-up the implementation of high priority items in the Urban Master Plan in particular key physical infrastructure such as ports, roads and airports

- Remove barriers to the flow of goods and resources into Libya by reducing protectionism and promoting an ‘open-skies’ policy in air transport

- Remove bottlenecks in the visa process
  - Make visa upon arrival available

- Formulate and implement a National Information Strategy that identifies and addresses the country’s emerging information needs

- Review the structure and operations of the Libyan telecom companies and how they fit within Libya’s overall telecoms strategy

Restructuring of State Owned Enterprise (SOE) Portfolio

- State owned enterprises (SOEs) dominate Libya’s economy thus their competitiveness has fundamental impact on Libya’s prosperity

- Consolidate and professionalize the ownership function
  - Main objective of a professional unit for ownership and corporate governance is to develop the necessary skills needed to manage the portfolio
  - In order to secure fair competition it is important to separate regulatory responsibilities from the ownership function

- Establish clear and single objectives – SOEs often suffer from multiple, conflicting objectives while private sector companies focus on value maximization

- Transparency provides the basis for government accountability and raises barriers against self serving intervention
  - Make information available not only on economic performance but also on the cost of pursuing non-commercial objectives and subsidies granted
Cluster Development
Selected Cluster Activities

**Energy Cluster**

- Secure and expand contribution to Libya’s economic prosperity:
  - Increase production efficiency
  - Raise investment

- Develop action plans for identified priority issues:
  - Redefine relationships between key parties to increase efficiency of energy policy design and implementation
  - Create a planning system that provides investment criteria and allows effective project prioritization
  - Improve data management via greater transparency

**Other Clusters**

- Engage wider segments and regions of the country in the reform process
- Move towards a more diversified economy

- Launch initiatives in the first wave of clusters identified, e.g. tourism
  - Develop comprehensive long term plan to enhance tourism
  - Build regional tourism hubs around specific local attractions
  - Conduct market research to identify and address most valuable visitors
  - Address key challenges like visa issuance, employee skills, etc.
Cluster Development
Oil and Gas Cluster

- **Increase investment** in oil, gas and power to ensure optimal production levels are achieved quickly

- **Improve structure, organization and decision-making processes** in the cluster – covering the NOC, GECOL and the government as a whole

- **Reduce the growing costs of fuel supply** to the domestic market by aligning refining outputs with domestic demand

- **Improve the mechanism for subsidizing domestic prices** of oil products, gas and electricity, to improve resource allocation and efficiency

---

*Enhance the productivity and competitiveness of Libya’s oil and gas cluster*
Cluster Development
Non-Energy Related Clusters in Libya

- Launch cluster initiatives in areas that have the highest potential to support and energize the national competitiveness effort, e.g. tourism, construction, and agriculture
- Concentrate efforts to upgrade the business environment on regional bases of clusters; roll-out the measures to the wider economy in a second phase

Example of Cluster Development Activities – Tourism

- Design and implement a comprehensive long-term plan to enhance tourism
- Introduce standards agencies to ensure that key policies—business registration, taxation, regulation and dispute resolution—are applied in a consistent, fair, transparent and efficient manner
- Open doors to foreign expertise, technology and investment, as well as to the Libyan diaspora
- Introduce less restrictive wage environments that encourage the best young Libyan leaders to seek employment in these areas
- Prioritize major infrastructural enhancements in these clusters
- Set up special economic zones to swiftly implement the business environment improvements in these clusters, rather than attempting to enhance infrastructure and services everywhere in the country
### Skills Development

**Education Reforms**
- Establish a **Human Assets Office**
  - Develop human resources strategy for Libya
  - Review educational system towards better match of skills with the requirements of a modern economy

**Skill Building Actions**
- Continue **best-in-class leadership training**
  - Continue and enhance Phase I Leadership Training Program
  - Select and train a core Libyan faculty
  - Develop an electronic learning platform
- Launch **civil service skills strategy**
  - Define of a larger civil service change management agenda for Libya
  - Introduce a ‘fast-track’ civil service

### Social Development

**Healthcare**
- Introduce new and improved mechanisms for financing
- Increase healthcare education and awareness

**Housing**
- Increase efficiency of financing and planning
- Remove barriers to private construction of housing

**Social Welfare**
- Provide social safety nets to those who are adversely affected by the reform process, to help them make the transition smoothly
## Governance Structure Models of Governance

### Current Model

- Direct democracy allows Libyans to contribute in the decision making process

**BUT**

- Inefficiencies arise from frequent last-minute announcements of the agenda
- Drafting processes are sub-optimal
- Major economic loss is incurred by closing businesses during BPC deliberations

### Enhance Direct Democracy Structure

- Deepen direct democracy with a governance architecture that both enhances participative democracy and ensures the success of the NES
  - Roll-out of an e-Democracy system that enhances the efficiency and effectiveness of the system of participative democracy
### Governance Structure

**Enhancing Libya’s System of Direct Democracy**

#### System Challenges

<table>
<thead>
<tr>
<th><strong>Information</strong></th>
<th><strong>Potential Actions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>● Publish draft proposals and agenda in advance of meetings and elicit feedback</td>
<td></td>
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<tr>
<td>● Allow for open comments and notifications via e-mail, internet and mobile phone</td>
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<tr>
<td>● Work with public facilities to install BPC information kiosks</td>
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<thead>
<tr>
<th><strong>Participation</strong></th>
<th><strong>Potential Actions</strong></th>
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<tbody>
<tr>
<td>● Set up system of citizen consultation groups to deliberate on draft laws before BPC meetings</td>
<td></td>
</tr>
<tr>
<td>● Use special-purpose collaborative editing software to enable people to make draft comments on proposals collectively before and during BPC meetings</td>
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<thead>
<tr>
<th><strong>Training</strong></th>
<th><strong>Potential Actions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>● Develop facilitation practices for all levels of consensus-based decision-making</td>
<td></td>
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<tr>
<td></td>
<td>– Institute citizen training programme to teach facilitation techniques</td>
</tr>
<tr>
<td>● Set up e-Democracy and e-Government Training Institute</td>
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<tr>
<th><strong>Rules &amp; Procedures</strong></th>
<th><strong>Potential Actions</strong></th>
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<tbody>
<tr>
<td>● Develop a guidebook for facilitating productive deliberation at BPC meetings</td>
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<tr>
<td>● Use centralized display screen and computer links to make deliberative process more efficient</td>
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<tr>
<th><strong>Feedback &amp; Accountability</strong></th>
<th><strong>Potential Actions</strong></th>
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<tbody>
<tr>
<td>● Establish a legislative indexing / tracking and accountability system for BPC decisions</td>
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<tr>
<td></td>
<td>– Track the progress of legislation after BPC decision-making. Disseminate information to all BPC members through e-mail, mobile phone and internet</td>
</tr>
</tbody>
</table>
Selected New Institutions

**Libyan Economic Development Board**
- Coordinate the various change initiatives under a central office
- Facilitate one-stop registration of new businesses
- Develop a new framework for foreign direct investment (FDI) and its aggressive promotion
- Assess the appropriate governance and management structures for State-Owned Enterprises (SOEs)

**Libyan Human Assets Office**
- Develop a comprehensive human resources strategy for Libya, including short-term and medium term targets, and a plan for achieving them
- Outline a plan for a highly skilled ‘fast-track’ civil service cadre

**National Competitiveness Council**
- Provide guidance and expertise for Libya’s evolving competitiveness agenda
  - Publish an Annual Competitiveness Report assessing Libya’s competitiveness and tracking the progress in comparison to peer countries
  - Monitor and highlight areas where policy changes are required to maintain and improve competitiveness
Libyan Economic Strategy Action Plan

Governance Structure

**System of Governance**
- Democratic process (direct democracy)
- National government organization
- Regional and local government organization

**People Development**
- Training
- Higher education
- Cluster-based workforce skills upgrading
- Labor market rules

**Skills Development**

**Social Development**
- Housing
- Healthcare
- Basic education
- Clean water

**Cluster Development**

**Energy Cluster**

**Hospitality and Tourism Cluster**

**Agriculture Cluster**

**Construction and Real Estate Development Cluster**

**Business Environment**

**Private Sector Activation**
- Registration, licensing, permits
- Access to capital
- Property rights
- Regulation of business operation
- Dispute resolution

**FDI and Internationalization**
- FDI rules and incentives
- Diaspora engagement

**Banking and Financial System**
- Payment system
- Banking regulation
- Accounting and reporting

**Efficient Movement of Goods, People, and Information**
- Information and Communications Technology
- Roads, ports, airports, rail
- Electricity
- Customs, visas

**SOE Strategy Development**
- Strategy for state-owned enterprises
Libyan Economic Strategy Action Plan
First Set of Actions

- Business Environment
  - Create a National Competitiveness Council for Libya
  - Establish and fund a Libyan Economic Development Board to take the lead on critical reform priorities e.g. one-stop registration for business, attracting FDI and restructuring Libya’s SOE portfolio
  - Undertake a banking and financial sector reform

- Cluster Development
  - Enhance productivity and competitiveness in the energy cluster
  - Create and implement a tourism cluster strategy

- People Development
  - Continue and expand leadership training
  - Establish a Human Assets Office

- System of Governance
  - Launch campaign to improve the process of participative democracy
  - Introduce information technology into governance system at all levels
  - Restructure and reform the national budgeting process
## Libya Entering a New Stage of Its Development

<table>
<thead>
<tr>
<th>Libya’s Past</th>
<th>Libya’s Emerging Future</th>
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</thead>
<tbody>
<tr>
<td>• Significant isolation from the outside world</td>
<td>• Increasing integration with the outside world</td>
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<tr>
<td>• Focus on equality of living conditions and social standards</td>
<td>• Opportunities for individual achievement becomes the new focus</td>
</tr>
<tr>
<td>• Oil revenues are the main source of national prosperity</td>
<td>• Oil revenues supplemented by wealth created in other parts of the economy</td>
</tr>
<tr>
<td>• Government’s central focus is the distribution of oil revenues to address social needs</td>
<td>• Government increasingly working with the private sector to enable creation of wealth on competitive markets</td>
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</table>

*Parallel changes will need to occur across many parts of Libyan economy and society to enable a successful transition*
Summary

- Libya is at a critical moment in its history
- Its unique history, heritage and culture must be the foundation of its development
- It has strong assets that are currently under-utilized—in particular its people

**HOWEVER**

- There is a limited window of opportunity and Libyans must act now

*With immediate action, a sustained phase of economic growth is a realistic goal*